

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

South Beloit Water, Gas and Electric Company	:	
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Application for Approval of the Annual Reconciliation of Purchased Water Surcharges Pursuant to Ill. Adm. Code 655.	:	06-0189
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ORDER

By the Commission:

In this proceeding, South Beloit Water, Gas and Electric Company ("SBWGE" or "Company") filed with the Illinois Commerce Commission ("Commission") a petition pursuant to Section 9-220.2 of the Public Utilities Act (the "Act"), 220 ILCS 5/1-101 et seq., and 83 Ill. Adm. Code 655 ("Part 655"). The Company therein requests approval of its annual reconciliation of revenues collected through its purchased water surcharge with costs incurred during the 2005 reconciliation year.

Pursuant to due notice, a pre-hearing conference and an evidentiary hearing were held before a duly authorized Administrative Law Judge at the Commission's offices in Springfield, Illinois. Appearances were entered on behalf of Commission Staff ("Staff") by Mike Ostrander, a member of the Accounting Department in the Commission's Financial Analysis Division ("Staff"), and by counsel on behalf of SBWGE. At the hearing, SBWGE presented the testimony of Michael Bremel, a Senior Regulatory Pricing Analyst with Allied Energy Corporate Services. Mr. Ostrander presented testimony for Staff. At the conclusion of the hearings, the record was marked "Heard and Taken." No other appearances were entered and no petitions for leave to intervene were filed.

Applicable Authority

Section 9-220.2 of the Act is titled, "Water and sewer surcharges authorized." Section 9-220.2(a) provides in part that the Commission may authorize a water utility to file a surcharge that adjusts rates and charges to provide for recovery of the cost of purchased water. Section 9-220.2(c) states:

On a periodic basis, the Commission shall initiate hearings to reconcile amounts collected under each surcharge authorized pursuant to this Section with the actual prudently incurred costs recoverable for each annual period during which the surcharge was in effect.

Section 9-220.2 is implemented in 83 Ill. Adm. Code 655, "Purchased Water and Sewer Treatment Surcharges." Section 655.40 contains formulas to be used in calculating the amount of the fixed charge and variable charge to be assessed in the surcharge. Schedules to be submitted with the annual reconciliation are described in Section 655.50.

Information Presented by Company and Staff

SBWGE is a wholly-owned subsidiary of Wisconsin Power and Light Company ("WPL"). WPL is a wholly-owned subsidiary of Alliant Energy ("AECS"). AECS is a public utility service company that supports the operations of the various companies that are part of the Alliant Energy Corporation, including SBWGE.

SBWGE is an Illinois corporation. Its principal office is located in Madison, Wisconsin in Dane County. During the reconciliation period, SBWGE provided water service in the City of South Beloit, Winnebago County, Illinois, and in unincorporated contiguous areas in Rockton and Roscoe Townships, also in Winnebago County.

The Commission observes that in Docket No. 05-0724, Illinois-American Water Company was authorized to purchase the water assets of SBWGE, and to provide water service to the areas in question.

The City of South Beloit, Illinois immediately adjoins the City of Beloit, Wisconsin, and the two are separated by the state line running down the center of a street. Residents and businesses on both sides of the state line receive water from pipes connected and supplied through a single water distribution system, which is located within the service areas of the respective utility companies in the City of Beloit, Wisconsin and the City of South Beloit, Illinois. Thus, the entire area is served by a single integrated water distribution system, the only separation being the location in different states.

The SBWGE witness, Mr. Bremel, testified that the previous source of water for SBWGE was a Company-owned well that is no longer in service due to elevated levels of radium. He said that due to the lack of other available sources and the interconnected nature of the two systems, SBWGE entered into an agreement to purchase water on a wholesale basis from the City of Beloit, Wisconsin ("Agreement").

In its last water rate case in Docket No. 03-0677, SBWGE requested authorization to implement a surcharge to recover water supply costs from the City of Beloit pursuant to 83 Ill. Adm. Code 655. The Commission granted SBWGE the authority to do so in its Order in Docket Nos. 03-0676/03-0677 (Consolidated) on October 6, 2004.

During the 2005 reconciliation year, which is the subject of the instant proceeding, SBWGE purchased its water supply from the City of Beloit pursuant to the Agreement. Mr. Bremel testified that under the circumstances, purchasing water supply

pursuant to the Agreement was the most cost-effective alternative available during 2005.

In the instant docket, SBWGE presented a reconciliation of revenues collected under its purchased water surcharge with costs actually incurred. The reconciliation period was January 1, 2005 through December 31, 2005.

For the reconciliation period, SBWGE's "fixed" purchased water costs, as defined in Section 655.40(1) of Part 655, were \$33,000; its collections for the period were \$35,921, producing an over-recovery of \$2,921. When combined with the under-collection of \$564 from the 2004 reconciliation period, it produces an "Rf" factor over-collection of \$2,357.

For the reconciliation period, SBWGE's "variable" purchased water costs, as defined in Section 655.40(2), were \$302,305; its collections for the period were \$307,720, producing an over-recovery of \$5,415. When combined with the under-collection of \$3,786 from the 2004 reconciliation period, it produces an "Rv" factor over-collection of \$1,629.

SBWGE has not requested permission to amortize either R factor pursuant to 83 Ill. Adm. Code 655.50(b).

For the Commission Staff, Mr. Ostrander reviewed SBWGE's testimony, exhibits, and supporting documentation. Staff did not object to the Company's reconciliation of its 2005 costs and recoveries. Mr. Ostrander presented a schedule demonstrating that the Company has no under- or over-collection that needs to be charged or refunded to customers as a result of the 2005 reconciliation other than the Company-determined Factor R amounts shown in the Company's reconciliation exhibits.

Staff recommended that the Commission adopt the Purchased Water Surcharge Reconciliation as presented on Staff Schedule 1.1, and as attached to this Order as Appendix A.

Commission Conclusions, Findings and Ordering Paragraphs

The Commission finds that the costs incurred and revenues collected under the Company's Purchased Water Surcharge are accurately reflected and reconciled in the reconciliation provided for calendar-year 2005. As stated by Staff, the Company has no under- or over-collection that needs to be charged or refunded to customers as a result of the 2005 reconciliation, other than the Company-determined Factor R amounts shown in the Company's reconciliation exhibits.

The record also indicates that the costs recovered through the surcharge were prudently incurred within the meaning of Section 9-220-2(c). As noted above, under Section 9-220.2(c), only prudently incurred costs are recoverable through a surcharge under Part 655.

Accordingly, the proposed reconciliation, as shown in the Appendix hereto, should be approved.

The Commission, having reviewed the record, is of the opinion and finds that:

- (1) South Beloit Water, Gas and Electric Company is an Illinois corporation that was engaged, during the reconciliation year, in providing water, electric, and gas service to the public in portions of Illinois; SBWGE is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the parties and the subject matter of this proceeding;
- (3) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) for the reconciliation period, SBWGE's fixed purchased water costs were \$33,000; its collections for the period were \$35,921, producing an over-recovery of \$2,921; when combined with the under-collection of \$564 from the 2004 reconciliation period, it produces an Rf factor over-collection of \$2,357;
- (5) for the reconciliation period, SBWGE's variable purchased water costs were \$302,305; its collections for the period were \$307,720, producing an over-recovery of \$5,415, when combined with the under-collection of \$3,786 from the 2004 reconciliation period, it produces an Rv factor over-collection of \$1,629.

IT IS THEREFORE ORDERED by the Commission that the reconciliation of purchased water costs and revenues submitted by South Beloit Water, Gas and Electric Company, as shown in the Appendix hereto, is hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 12th day of October, 2006.

(SIGNED) CHARLES E. BOX

Chairman